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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

21 February 1955

STAFF MEMORANDUM NO. 7-55

SUBJECT: Princeton Consultants' Meeting of 27-28 January 1955

ParticipantsChairman

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Board of National Estimates

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I. THE OFFSHORE ISLANDS QUESTION

1. Intermittent treatment was given the Far Eastern scene on both days of meetings. The morning session on 27 January was devoted to examination of the content and implications of the President's Message to Congress on the situation in the Formosa

* 28 January only

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Strait. The consultants generally agreed that there was at least a strong presumption that the US will defend the Quemoy and Matsu Islands. LANGER and STRAYER thought that the US Senate's actions subsequent to the presidential statement would cause the world to assume that the present US position on the Quemoy-Matsu group is firm. On the other hand, the consultants considered the statement consistent with the idea that the US intended to use those islands as a bargaining counter, and not to defend them at all costs. MILLIKAN thought that the US was confronted by a serious loss of face in the event of a long-term withdrawal from Quemoy and Matsu, and that a firm decision now to abandon all but Formosa and the Pescadores might be less damaging. MOSELY and LANGER agreed, and suggested that even most non-Communist Asians did not want the US involved in defense of Quemoy and Matsu. ARMSTRONG believed that loss of face really only operated in Asia.

2. A number of reasons for the presidential statement were advanced. There was general agreement that if the US had not taken a stand, Chinese Communist probing actions would have resulted in the loss of all the offshore islands without any material compensation for the US position. The present policy was seen as a US effort to stop the drift and perhaps to gain a UN cease-fire decision protecting Formosa and the Pescadores in return for abandonment of Quemoy and Matsu. HOOVER was not sanguine about the chances for such a trade with the Communists, but thought some form of modus vivendi might be achieved in time. LANGER wondered why the Chinese Communists should agree to any deal.

3. LANGER felt that the President's statement was at least in part designed to persuade Chiang Kai-shek to evacuate the Tachens. It was further suggested that the statement was composed with an eye toward bargaining not only with the UK and other allied governments, but with China's most ardent supporters in the US itself. DUNHAM protested that the consultants were ascribing too much subtlety to US policy; he wondered whether the presidential statement was merely directed toward halting the Communist attacks on the islands, but thereby set off a new train of reaction.

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4. On the question of why the Chinese Communists inaugurated their current campaign against the offshore islands, KNORR suggested that the cumulative effect of repeated moderate US official statements on the Far East had encouraged the Chinese to attack. On the other hand, ARMSTRONG felt strongly that the situation must be explained in terms of Communist global strategy. He saw a Chinese Communist initiative to keep the US embroiled with Chiang as a means of creating dissension among the Western allies which would assist the USSR in preventing West German rearmament. MOSELY and LANGER agreed that the Soviet interest is to keep the Far Eastern pot boiling with a view toward disrupting NATO, and LINCOLN observed that the Kremlin's objective should be to get the US completely involved in defense of Quemoy and Matsu as the best means of creating Western disunity. KNORR thought that the USSR might want such total US involvement, but doubted that the Chinese Communists concurred, since it would end their probing actions. MOSELY believed that the USSR would like to see a limited and localized war between the US and Communist China, in which our NATO allies not only would abstain, but would also attempt to prevent US action against the USSR. At the same time, he felt that that USSR would be apprehensive that the conflict could not be contained, and thus might seek to restrain Peiping.

Communist Reactions to US Policy

5. The consultants considered that US intentions were still far from clear, but there was a general feeling that the US had given Peiping what amounted to a challenge. Majority opinion was that over the short term (perhaps a month or two) the Chinese Communists would wait to see if Quemoy and Matsu would fall to them without a fight. KNORR thought they had good reasons, and would be well advised, not to push hard now, but to shift their probing actions to other areas and wait for another "soft" period in US policy. MOSELY, LANGER, MULLIKAN and HOOVER felt that if they had to judge between continuing Communist initiatives during the next month or so, or a short breathing spell in the fighting, they would choose the latter alternative, while recognizing that the stakes are high enough to prompt Peiping to take risks and that drastic actions cannot be ruled out. ARMSTRONG dissented from the proposition that the Chinese Communists would relax even in the short term. STRAYER suggested that Peiping would derive many advantages from maintaining its pressure, and without excessive risks.

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6. On viewing the longer term it was generally agreed that neither Peiping nor Moscow will be interested in stabilizing the Formosa situation, and that the Chinese Communists are unlikely to accept a UN negotiated settlement which did not give them Formosa. LANGER forcefully stated the view that Peiping would wait a month or two to see if it would receive Quemoy and Matsu as a present. If nothing were resolved by then, and if Western opinion in the UN had meanwhile been expressed in favor of relinquishing the offshore islands, he felt the Chinese Communists would be strongly tempted to attack, believing that a diplomatically isolated US would not want general war over Quemoy and Matsu and would be unable to defend them. Moreover, he was impressed with the virility and independence of the Chinese Communists and considered that we must expect headstrong action from a nation in "full career". MILLIKAN could not go so far. He felt that the Chinese Communists would take considerable risks of war in the belief that the US is not prepared to attack the mainland of China. However, he expected Peiping to rely on the passage of time and on other means to reduce the US position, rather than accept grave risks of general war. In response to SMITH's proposition that the consultants agreed that the Chinese Communists do not want general war with the US, LANGER and ARMSTRONG thought it dangerous to make such an assumption. MILLIKAN, however, supported the proposition on the grounds that Peiping's concern with internal growth had clear top priority.

7. In sum, STRAYER and LANGER generally concurred in the O/NE statement that the assumed US decision to defend Quemoy and Matsu "will lead eventually to hostilities between US and Communist Chinese forces along the east coast of China". On the other hand, STRAYER preferred to state that the decision "may" lead to hostilities, and "probably" would do so if the positions of both sides hardened. REITZEL interposed that the chances of hostilities might diminish considerably if the US decision is part of an intended retreat to Formosa and the Pescadores. MOSELY thought the danger of general war might have been lessened somewhat in the sense that the Communists might have made a major move if they had not been confronted with the assumed US decision to hold the line. On balance, the consultants generally agreed that the net effect of recent Far Eastern developments was increased tension and danger of fighting in the area.

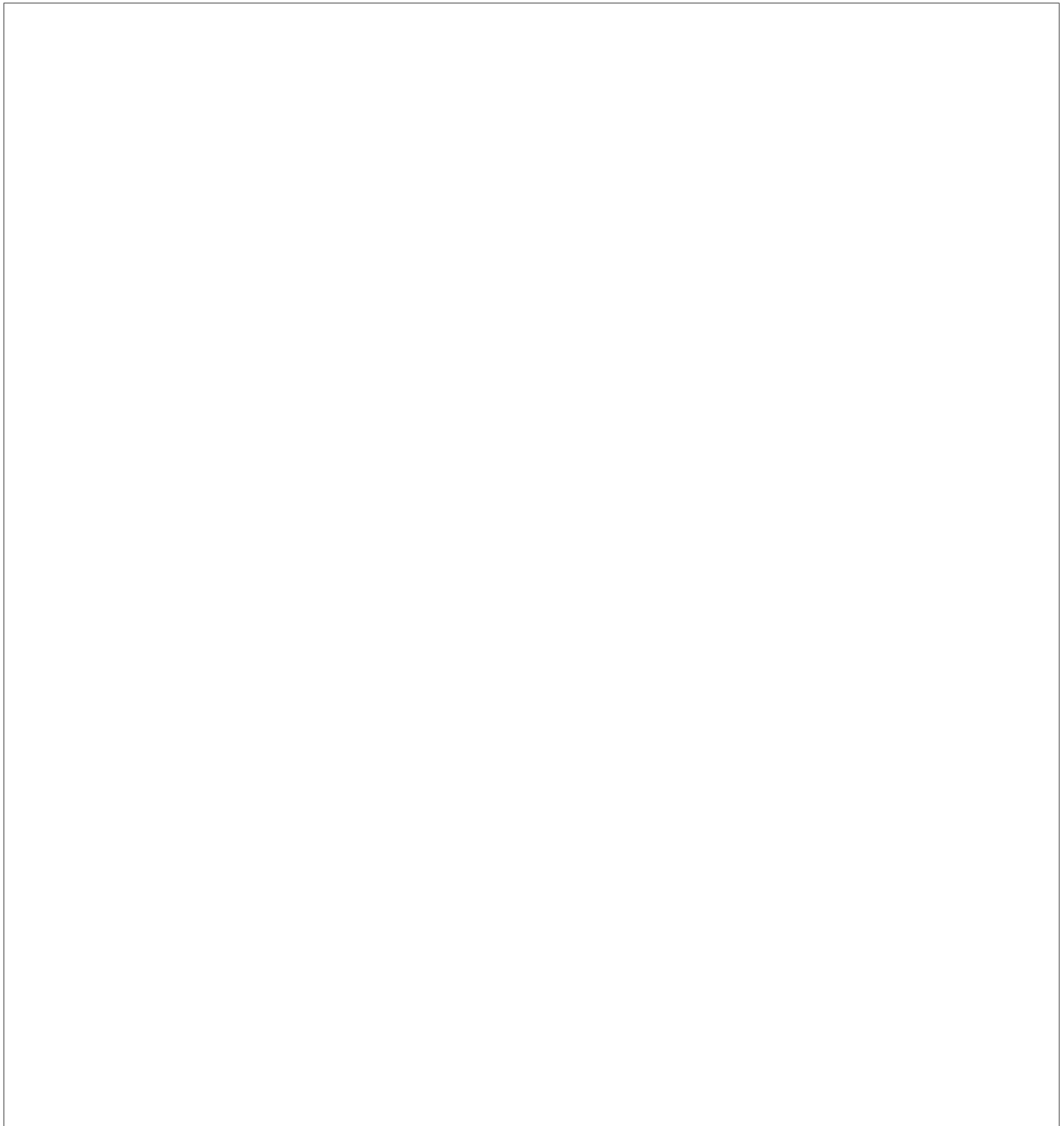
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III. FRANCE; NIE 22-55

Prospects for Mendes-France

11. The consultants were in general agreement with the judgments of the O/NE memorandum, which summarized and tentatively answered certain key questions encountered in drafting the French estimate. However, LANGER and -- to a lesser extent -- STRAYER thought that the intelligence community was too pessimistic in gauging both the present and future position of Mendes-France. LANGER felt that the O/NE paper was too concerned with current political arrangements and slighted the historical possibilities. He said that French history abounds with strong men gaining power against powerful political opposition, and he thought that Mendes-France had a good chance of doing the same despite his unpopularity in the Assembly. KNORR considered Mendes-France's best course of action consisted of stimulating the interest of large groups of apathetic voters in an economic reform program. LANGER suggested, however, that Mendes would be wise to continue to deal in economic generalities and attempt to make political capital on the basis of the good condition of the French economy during his time in office. All efforts to evaluate the future position of Mendes-France in concrete terms came up against the unpredictable character of the 1956 national elections.

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~~CONFIDENTIAL~~~~SECRET~~The Outlook for France

12. The consultants were in full agreement that the overall position of France two years hence would almost certainly be no better, and would probably be worse than at present. STRAYER thought that greater economic prosperity combined with increased political frustration, friction with Germany, and a deteriorating colonial position could produce in France a sense of power without outlet, and possibly could lead to rightist adventurism. On the other hand, he agreed with LANGER and MILLIKAN that one could expect positive results if France devoted its energies to cooperating with West Germany in creating a unified Europe, and if it became the capital of that Europe, even against its will and better judgment. However, no one was optimistic about the course of either Franco-German relations or European integration. Furthermore, ARMSTRONG and LANGER took the lead in anticipating a repetition in North Africa of the French experience in Indochina. ARMSTRONG nevertheless believed that the French position within the Western alliance would receive more emphasis in the wake of what he considered inevitable German-Soviet negotiations and resultant US suspicion of Germany.

13. STRAYER thought that France would do itself and the West alliance a great disservice if it continued to pursue the shadow of former empire. MILLIKAN wondered, however, if France's withdrawal the real limits of its power offered a positive alternative; could France adjust to the position of a third-rate power? KNORR felt that France is not willing to pay the price of power and must change its values if its resources are to be fully exploited. LANGER suggested that France might effectively develop its domestic resources if, miraculously, it could suddenly shed its overseas possessions. MOORE agreed that its basic economic wealth could permit a France detached from its empire to prosper.

IV. DISCUSSION OF NIE 11-55; PROBABLE SOVIET RESPONSE TO RATIFICATION OF THE PARIS AGREEMENTS

14. MOSELY expressed the view that although Germany remained the most important European question to the USSR, it has adjusted to the situation and is not seriously worried. LINCOLN thought that

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the USSR was not worried about German rearmament in itself, but about German divisions as an element in the rising power of the Western alliance. KNORR added that the USSR viewed a rearmed Germany as a brake on its expansion westward, rather than as a threat to its security. HOOVER agreed, but felt that the Kremlin does fear the psychological reaction of German rearmament on the Satellites. LINCOLN thought that the USSR would consider the East Germans liable to a greater magnetic attraction from a West Germany which had received the full attributes of sovereignty. It thus might believe it would eventually be faced with the need either to become more involved or to relax its grip in East Germany. According to MOSELY, the USSR is concerned about US technological advances and the potential ground forces of the West.

15. STRAYER and HOOVER felt that countermeasures open to the Kremlin had not been sufficiently examined in the NIE, and that the USSR would both talk and act more strenuously. LINCOLN believed that the Kremlin will attempt a coup elsewhere in order to counteract the effect of German rearmament. Subscribing generally to the estimate and to the preceding arguments, LANGER nevertheless felt uneasy about making positive assertions which tended to exclude drastic Soviet actions, such as an outright ultimatum to West Germany. Not only LANGER, but STRAYER and HOOVER thought there was at least a good chance that the USSR will put strong pressure on Western Europe -- especially France -- even to the extent of threatening war. On the other hand, MOSELY argued that the USSR will probably pursue a hard propaganda line until ratification, followed by a soft line to prevent or retard implementation of the accords. In response to ARMSTRONG's suggestion that a soft policy might lead to four-power talks, MOSELY judged that the USSR probably would not agree to such talks after ratification, preferring to deal with countries individually. The USSR might adopt soft tactics toward Germany, but hard ones toward other Western European states. It appeared generally agreed that there is no evidence for a firm judgment that over-all Soviet policy will change from a soft to a hard line either before or after ratification. Moreover, it was concluded that the USSR might attempt several contradictory lines of policy simultaneously.

16. MILLIKAN did not view the fervent discussion of consumer goods versus heavy industry in the USSR as of particular significance to the estimate under consideration. He thought there was need for caution in relating a current Soviet priority program to the world situation, since the economy operates on the basis of a series of

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crash programs which obscure the over-all pattern. The USSR probably had developed a balance between consumer and military goods which external events need not disturb except in emergencies, although such events may be used internally as justification for certain policies. STRAYER felt that the emphasis on heavy industry could be a way of preparing the Soviet people for a shift to a hard policy line.

17. The consensus on NIE 11-55 appeared to be that it was generally along the right lines, but that the tenor of the paper was too reassuring. LANGER in particular felt that it cannot be assumed that actions now pursued safely may not at some point provoke unpleasant consequences. He therefore would have preferred setting time limits on the validity of the estimated Soviet response.

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